

## FARM CREDIT TRENDS IN OHIO

by

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Tables 1, 2 and 3 summarize trends in the shares of farm debt outstanding to the major agricultural lenders for the period 1970 through 1981. During this period total farm debt outstanding in Ohio and in the U.S. increased 3.4 times or at an average annual compound growth rate of about 11.8 percent. Farm nonreal estate debt increased more rapidly than did farm real estate debt. Lenders showing significant gains in their market share include the Federal Land Banks, Production Credit Associations (PCAs), and the Farmers Home Administration (FmHA). All other lenders experienced moderate to significant declines. All lenders experienced increases in the dollar volume of farm loans, even those that experienced declines in their market shares.

Major differences between Ohio and the U.S. are:

- The relative importance of and the rate of growth by PCAs (much greater in Ohio)
- The relative importance of FmHA (much lower in Ohio)
- The rate of decline in the commercial banks' market share (greater in Ohio)
- The share of farm real estate debt held by commercial banks (much greater in Ohio)
- The share held by life insurance companies (slightly lower in Ohio)

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Both the level and the instability of interest rates (see Figures 1 and 2) on farm loans have increased dramatically since 1978. Increases in both interest rates and the amount of debt outstanding caused farmers' interest expenses to double between 1978 and 1981. For the U.S., interest represented 17.9 percent of total nonfarm origin input costs in 1981, compared to 13.6 percent in 1978. Interest is now the second largest single farm expense category (exceeded only by depreciation). Expenditures for fuel and oils, which have also risen sharply in recent years, were less than half of total interest charges in 1981.



Table 1: Farm real estate debt outstanding, by source  
January 1, 1970, 1980-81

	1970		1980		1981	
	Ohio	U.S.	Ohio	U.S.	Ohio	U.S.
---(Percent of total real estate debt)*---						
Federal Land Bank	24.7	22.9	38.4	35.9	40.3	39.1
Life Insurance Co.s	12.8	19.7	10.2	14.7	10.9	14.0
Commercial Banks	24.6	12.1	18.5	10.4	17.2	9.5
FmHA	0.7	7.8	4.1	8.6	4.2	8.4
Individual & Other	37.2	37.2	28.7	30.4	27.4	29.0
Total Amount (\$ Bil)	0.86	29.2	2.5	82.7	2.7	92.0

\*Percentages may not total 100 due to rounding.

Table 2: Nonreal estate farm debt outstanding, by source  
January 1, 1970, 1980-81

	1970		1980		1981	
	Ohio	U.S.	Ohio	U.S.	Ohio	U.S.
---(Percent of total nonreal estate debt)*---						
PCAs **	31.7	18.9	47.7	24.4	49.3	26.7
Commercial Banks	36.3	43.3	24.4	41.3	25.6	40.5
FmHA	1.8	3.3	3.3	12.0	5.1	15.1
Merch.Dealers & Others	30.2	34.5	24.6	22.6	20.0	17.7
Total Amount (\$ Bil)	0.51	21.2	1.8	75.2	1.9	78.1

\*Percentages may not total 100 due to rounding.

\*\* Includes negligible amounts outstanding to Other Financing Institutions (OFIs).



Table 3: Farm debt outstanding, by source  
1970, 1980-81

	1970		1980		1981	
	Ohio	U.S.	Ohio	U.S.	Ohio	U.S.
---(Percent of total farm debt)*---						
Federal Land Banks	15.4	13.3	22.3	18.8	23.7	21.2
PCA**	11.9	7.9	20.0	11.6	20.4	12.3
Commercial Banks	29.1	25.2	21.0	25.1	20.7	23.7
Life Insurance Co.s	8.0	11.4	5.9	7.6	6.4	7.5
FmHA	1.1	5.9	3.8	10.2	4.6	11.5
Individuals & Other	23.3	21.6	16.7	15.9	16.1	15.7
Merch. & Dealers	11.3	14.5	10.3	10.8	8.3	8.1
Total Farm Debt (\$ Bil)	1.37	50.4	4.3	157.9	4.6	170.1
Real Estate Debt (\$ Bil)	0.86	29.2	2.5	82.7	2.7	92.0
Nonreal Estate Debt (\$ Bil)	0.51	21.2	1.8	75.2	1.9	78.1

\* Percentages may not total 100 due to rounding

\*\* Includes negligible amounts outstanding to Other Financing Institutions (OFIs).

#### Sources

The tables were compiled from data published in the following:

Farm Credit Administration. Nonreal Estate Farm Debt, 1981, Washington, D.C., FCA Stat. Bul. 28, Econ. Analysis Div., Dec. 1981.

\_\_\_\_\_, Farm Real Estate Debt, 1981, Washington, D.C., FCA Stat. Bul. 29, Econ. Analysis Div., Sept., 1980.

U.S.D.A., ERS, Economic Indicators of the Farm Sector, State Income and Balance Sheet Statistics, 1980. Washington, D.C., Stat. Bul. 678, November 1981.

\_\_\_\_\_, Agricultural Finance Statistics, Washington, D.C., ARS-3, July 1976.

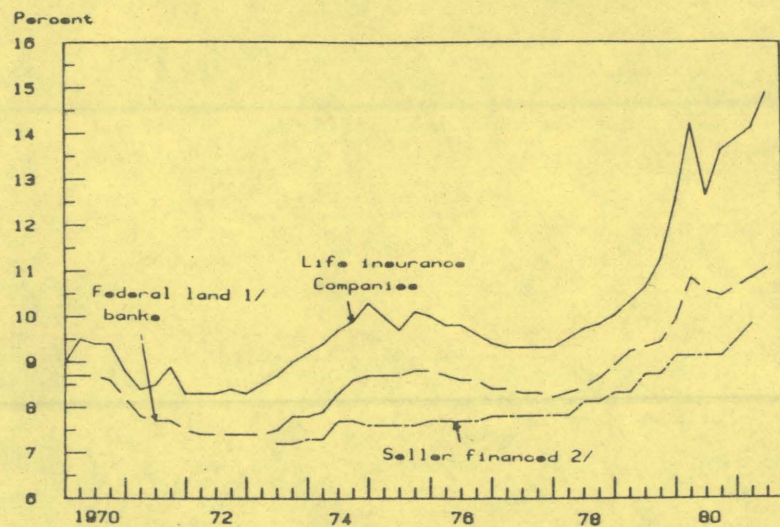
\_\_\_\_\_, Agricultural Outlook, Washington, D.C., July 1982.

The figures were reproduced from:

U.S.D.A., ERS, Agricultural Finance Outlook and Situation, Washington, D.C., AFO-22, November 1981.



Fig. 1 Interest Rates on Farm Real Estate Loans

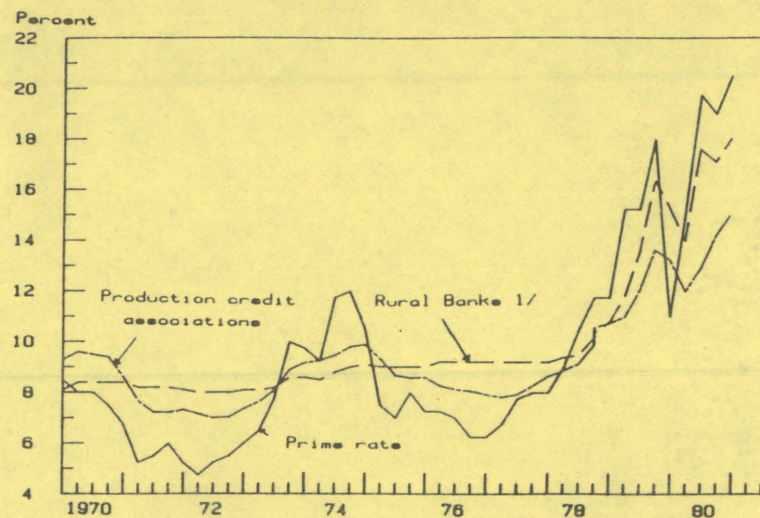


Quarterly data for Life Insurance Companies: (new commitments) and Federal Land Banks (new Loans) semi-annual data for seller financed, annual data beginning in 1980. Latest rates are 14.9 for Life Insurance Companies in 2nd qtr. 1981, 11.8 for Federal Land Banks in November 1981 and 9.8 for seller financed in February 1981.

1/ Excludes cost of required stock purchases.

2/ Financing of the sale is provided by the previous owner of the farmland.

Fig. 2 Interest Rates on Nonreal Estate Farm Loans, and the Prime Rate charged by Banks



1/ Short-term production loans Minneapolis Federal Reserve District.